



## PENSION CALCULATIONS FOR GENERAL MEMBERS

### INTRODUCTION

This bulletin explains components of the pension calculation and gives examples of how the calculations are made. *We have used round numbers where we can, to make the examples as easy to follow as possible.*

For information about eligibility for retirement and your options at retirement, see *MEPP In-Depth ... Retirement Options and Eligibility*. If you wish to take a pension from the Plan, see *MEPP In-Depth ... Optional Forms of Pension*.

#### Your Plan

The Municipal Employees' Pension Plan (MEPP) is a defined benefit pension plan that is administered by the Public Employees Benefits Agency (PEBA).

Defined benefit plans provide a pension benefit based on a formula. MEPP's pension formula uses your highest average salary (HAS), your pensionable service and the accrual rate in effect during your years of service.

MEPP was designed to provide pension benefits to members who leave the work force for retirement. The Plan also provides benefits in the event of death, disability and termination of employment.

*Contact information and a glossary of terms used appear at the end of this document.*

### COMPONENTS OF THE CALCULATION

Your pension is calculated using these components: your Pensionable Service, your Highest Average Salary and an Accrual Rate.

#### Pensionable Service

Pensionable service includes service:

- for time you contributed to MEPP;
- for part of a waiting period served;
- for leaves of absence for which you made contributions after returning to work;
- that you have purchased; and
- that is credited if you are approved for a disability waiver.

The amount of pensionable service you earn is based on how much you work.

#### Highest Average Salary (HAS)

Your HAS is the average of your highest three years of pensionable salary while you were a member of MEPP.

If you work less than full time, your salary is annualized before your pension is calculated. Annualized salary is the amount you would have earned if you had worked full time for the year.

A year is based on a calendar year from January 1 to December 31.

If you terminate before December 31st, salary for the remainder of your last year is taken from your fourth highest year. Your last year is used only if it is one of your highest three years of salary.

**Example: HAS Calculation**

Jim terminates his employment on July 31, 2006. He has worked 90 per cent of full time for his entire career. He worked seven months in his final year. His actual salary was \$2,250 per month the last year of his employment. His actual monthly salaries for the previous three years were: 2005 - \$2,200; 2004 - 2,150; and 2003 - \$2,100.

His highest four years of actual and annualized salaries are:

YEAR	ACTUAL SALARY (\$)	CALCULATION	ANNUALIZED SALARY (\$)
2006	15,750	$\div 7 \times 12 \div .90 =$	30,000
2005	26,400	$\div .90 =$	29,333
2004	25,800	$\div .90 =$	28,667
2003	25,200	$\div .90 =$	28,000

Jim worked seven months in his last year of employment. The balance of the year is taken from his fourth highest year. Jim's HAS is calculated as:

YEAR	MONTHS	CALCULATION	ANNUALIZED SALARY (\$)
2006	7	$30,000 \div 12 \times 7 =$	17,500
2005	12		29,333
2004	12		28,667
2003	5	$28,000 \div 12 \times 5 =$	11,667
<b>Totals</b>	<b>36</b>		<b>87,167</b>
Monthly HAS ( $87,167 \div 36$ )			<b>2,421.31</b>
Annual HAS ( $87,167 \div 3$ )			<b>29,056.67</b>

**Accrual Rate**

The accrual rate is the percentage of your highest average salary that you receive for each year of pensionable service. MEPP has the following accrual rates:

LIFETIME PENSION		
1.8%	for	service to 1990, and service from 2001 through 2005
<i>and</i>		
1.5%	for	service from 1990 through 2000, and service after 2005

BRIDGE BENEFIT		
0.2%	for	service to 1990, and service from 2001 through 2005
<i>and</i>		
0.5%	for	service from 1990 through 2000, and service after 2005

**PENSION BENEFITS**

Your pension benefit is made up of a lifetime pension and, if you retire before age 65, a bridge benefit payable to age 65.

**Your Lifetime Pension**

Your lifetime pension is paid to you for your lifetime. If you have a spouse (joint pensioner) when you retire, a percentage of your lifetime pension continues to your joint pensioner as a survivor benefit if you die. See *MEPP In-Depth ... Optional Forms of Pension*.

**The Bridge Benefit**

If you retire before age 65 you will receive a bridge benefit from your retirement date until you reach age 65. This bridge benefit is paid even if you decide to receive CPP before you are 65.

Your lifetime pension and bridge benefit are calculated using formulas based on your pensionable service, accrual rates and highest average salary, as follows:

LIFETIME PENSION FORMULA				
1.8%	x	HAS	x	Years of pensionable service before 1990
<i>plus</i>				
1.5%	x	HAS	x	Years of pensionable service from 1990 through 2000
<i>plus</i>				
1.8%	x	HAS	x	Years of pensionable service from 2001 through 2005
<i>plus</i>				
1.5%	x	HAS	x	Years of pensionable service after 2005

BRIDGE BENEFIT FORMULA				
0.2%	x	HAS	x	Years of pensionable service before 1990
<i>plus</i>				
0.5%	x	HAS	x	Years of pensionable service from 1990 through 2000
<i>plus</i>				
0.2%	x	HAS	x	Years of pensionable service from 2001 through 2005
<i>plus</i>				
0.5%	x	HAS	x	Years of pensionable service after 2005

**Example: Lifetime Pension and Bridge Benefit Calculation**

Jim retires at age 60 with an annual HAS of \$29,057. He has earned 22.125 years of pensionable service, as follows:

- 7.200 years before 1990;
- 9.900 years from 1990 through 2000;
- 4.500 years from 2001 through 2005; and
- 0.525 years after 2005.

His lifetime pension is calculated as follows:

JIM'S LIFETIME PENSION CALCULATION					
1.8%	x	\$29,057	x	7.200	= \$3,765.79
<i>plus</i>					
1.5%	x	\$29,057	x	9.900	= \$4,314.96
<i>plus</i>					
1.8%	x	\$29,057	x	4.500	= \$2,353.62
<i>plus</i>					
1.5%	x	\$29,057	x	0.525	= \$228.82
<i>equals</i>					
<b>\$10,663.19/year or \$888.60/month</b>					

His bridge benefit is calculated as follows:

JIM'S BRIDGE BENEFIT CALCULATION					
0.2%	x	\$29,057	x	7.200	= \$418.42
<i>plus</i>					
0.5%	x	\$29,057	x	9.900	= \$1,438.32
<i>plus</i>					
0.2%	x	\$29,057	x	4.500	= \$261.51
<i>plus</i>					
0.5%	x	\$29,057	x	0.555	= \$76.27
<i>equals</i>					
<b>\$2,194.52/year or \$182.88/month</b>					

Jim's pension, which includes a bridge benefit, will be these amounts before and after age 65:

	ANNUALLY	MONTHLY
To Age 65	\$12,857.71	\$1,071.48
After Age 65	\$10,663.19	\$888.60

### REDUCED PENSION

If you choose to retire before you are eligible for an unreduced pension, your pension is reduced. The reduction is three per cent for each year that your retirement date falls before the first date you could have retired with an unreduced pension if you had you kept working. Reductions are permanent and apply to both the lifetime pension and the bridge benefit.

#### Example: Early Retirement Reduction Calculation

Mary decides to retire. She is eligible to start receiving a reduced pension. If she kept working, she would be eligible to start receiving an unreduced pension in two years and three months (2.5 years).

Mary's reduction would be 7.5 per cent (3% x 2.5 years). She would therefore receive 92.5 per cent (100% - 7.5%) of the full pension calculated using the Pension and Bridge formulas.

If Mary's unreduced lifetime pension was \$800.00 and the bridge benefit was \$250.00, she would receive:

	REDUCED PENSION
Lifetime Pension	\$800 x 92.5% = \$740.00
Bridge Benefit	\$250 x 92.5% = \$231.25

### OTHER RETIREMENT INCOME

We encourage you to seek independent qualified financial advice about the role of the Plan in your personal financial situation.

Your benefit from MEPP is only one source of retirement income. Other sources could include:

- Federal retirement income programs;
  - Canada Pension Plan (CPP);
  - Old Age Security (OAS); and
- Personal savings.

Call 1-800-277-9914 or 1-800-255-4786 (TTY) or visit [www.sdc.gc.ca](http://www.sdc.gc.ca) for information about federal pension programs.

### GLOSSARY

**Accrual Rate** - The percentage of your highest average salary that you receive for each year of pensionable service. It is used to calculate your pension allowance.

**Defined Benefit Pension Plan** - A pension plan that provides a benefit based on a formula.

**Highest Average Salary** - The average of your highest three years of salary while contributing to the Plan.

**Pension** - Regular monthly payments from a pension plan to a person who has retired.

**Pensionable Service** - Service used in a pension calculation to determine your pension benefit.

## MEPP ADMINISTRATION

The Municipal Employees' Pension Commission is responsible for the Plan's administration, communication and investment activities.

The mission of the Commission is:

To oversee and direct the administration of the Plan and manage the assets in the best interests of the members.

As trustee of the Municipal Employees' Pension Fund, the Commission is responsible for safeguarding and investing the Fund monies.

PEBA conducts day-to-day administration of the Plan under contract with the Commission. The contract with PEBA sets service standards for the tasks PEBA performs for the Commission.

MEPP is registered with Canada Revenue Agency under the *Income Tax Act* (Canada) and governed by these federal and provincial acts and their related regulations:

- The *Income Tax Act* (Canada);
- *The Pension Benefits Act, 1992*; and
- *The Municipal Employees' Pension Act*.

## FOR MORE INFORMATION

Plan information is available from a number of sources including:

MEPP *In-Depth* bulletins;  
MEPP *Matters*, the Plan newsletter;  
MEPP Member Booklets;  
member presentations; and  
the *Municipal Employees' Pension Commission Annual Report*.

These published materials are available from the PEBA website at [www.peba.gov.sk.ca](http://www.peba.gov.sk.ca). To reach the MEPP home page, click on the MEPP tab once you are on the PEBA website.

You may telephone, send a FAX or e-mail and request copies of published materials from PEBA at:

The Municipal Employees' Pension Plan  
Public Employees Benefits Agency  
1000 - 1801 Hamilton Street  
REGINA SK S4P 4B4

Phone: (306) 787-2684 (in Regina)  
Toll-free: 1-877-506-6377  
Fax: (306) 787-8822  
E-mail: [mepp@peba.gov.sk.ca](mailto:mepp@peba.gov.sk.ca)

*The information in this bulletin does not replace or supersede The Municipal Employees' Pension Act or The Pension Benefits Act, 1992 or related regulations. In the case of error or discrepancy, the terms of the Acts and regulations apply.*